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ONE HUNDRED NINTH CONGRESS

# Congress of the United States

## House of Representatives

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### Opening Statement of Rep. Henry A. Waxman Committee on Government Reform Hearing “Code Yellow: Is The DHS Acquisition Bureaucracy a Formula for Disaster?” July 27, 2006

Mr. Chairman, thank you for holding this important hearing to examine homeland security contracts. With literally billions of dollars and the security of the American people at stake, congressional oversight is urgently needed and long overdue.

Since the attacks of September 11, 2001, the Department of Homeland Security and its predecessor agencies have gone on a spending spree. In 2003, the Department entered into 14,000 contracts worth \$3.5 billion. By 2005, the Department's spending on contracts swelled to 63,000 contracts worth \$10 billion.

Our nation has pressing security needs, and if the money were well spent, it would be a good investment.

But the problem is, hundreds of millions of dollars are being squandered. The taxpayers are being taken to the cleaners, and our security is not being protected.

Boondoggle contracts may enrich private contractors, but they drive us deeper into debt and leave our borders unprotected and our ports and airlines vulnerable to attack.

Today, the Chairman and I are releasing a new report assessing the Administration's record on homeland security contracts. The report describes a pattern of reckless spending, poor planning, and ineffective oversight that is wasting taxpayer dollars and undermining our homeland security efforts.

There are four key findings in our report. First, we are spending more and more each year on homeland security contracts. In just the three years since the creation of the Department of Homeland Security, contract spending increased 189% ... from \$3.5 billion in 2003 to over \$10 billion in 2005.

Homeland security spending is growing 31 times faster than inflation. It is even growing 11 times faster than the rest of our ballooning federal budget.

Second, most of the new spending is occurring through noncompetitive contracts, many of them no-bid contracts. In the three years since the creation of the Department of Homeland Security, the dollar value of the noncompetitive contracts has grown by an astronomical 739%.

Last year, over half of the Department's contract spending was awarded without full and open competition.

Competition protects the taxpayer by driving prices down and quality up. But the Administration squelches full and open competition so it can offer lucrative deals to hand-picked contractors.

Third, the report finds that there is no effective system of contract management at the Department of Homeland Security. There's little contract planning and only meager contract oversight.

Fourth, the costs to the taxpayer are enormous. The report identifies 32 federal homeland security contracts worth \$34.3 billion that have experienced significant waste, fraud, abuse, or mismanagement.

In February 2002, the Transportation Security Administration awarded a \$104 million contract to hire airport screeners. In less than one year, the contract ballooned to \$741 million. Yet the rate at which screeners detected weapons never improved, and government auditors identified hundreds of millions of dollars in unjustified charges.

Several months later, TSA awarded a \$1.2 billion contract to Boeing to install and maintain luggage screening equipment at airports. But the baggage screening equipment never worked right. GAO says the taxpayer will now have to spend an additional \$3 to \$5 billion dollars to upgrade to more efficient machines.

Unfortunately, I could go on ... and on ... and on. As described in the Committee's bipartisan report, the Department has botched the contracts to upgrade airport computer networks, detect nuclear devices, and create a "virtual border."

And what is most inexcusable is that no one in the executive branch seems to care. The same mistakes happen over and over again. This Administration treats the taxpayer as its own private piggy bank.

A striking example is the Department's new Secure Border Initiative, which is its new high-tech plan to protect the border. I want to read to you the "Request for Proposal" — also called the "RFP" — that the Administration released earlier this year. The RFP is a remarkable document because it is devoid of any substance. Instead of identifying specific government needs, it takes the fairy godmother approach to the immensely difficult task of protecting our border.

Here is the only substantive requirement in the RFP. The Department wants private contractors — not government officials — to figure out (and I quote):

Highly reliable, available, maintainable, and cost effective solution(s) to manage, control, and secure the border using the optimal mix of proven current and next generation technology, infrastructure, personnel, response capabilities and processes.

In case the contracting community missed the point, DHS Deputy Secretary Michael Jackson told potential bidders for the new Secure Border Initiative: “We’re asking you to come back and tell us how to do our business.”

That’s not governing. That’s not planning. It’s utter incompetence, and it’s going to cost the taxpayers billions.

Mr. Chairman, in closing I want to commend you for your leadership. You have approached this issue with bipartisanship and put the interests of the taxpayer first. And this Committee is doing an important public service by exposing the astronomical levels of wasteful spending at the Department of Homeland Security.